

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN**

**AUDIT REPORT**

**YEAR ENDED MARCH 31, 2005**

**De Boer, Baumann  
& Company <sup>P.L.C.</sup>**  
Certified Public Accountants & Consultants

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Township of Port Sheldon</b>	County <b>Ottawa</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>6/14/05</b>	Date Accountant Report Submitted to State: <b>9/30/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

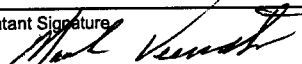
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>De Boer, Baumann &amp; Company, PLC</b>			
Street Address <b>355 Settlers Road</b>		City <b>Holland</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49423</b>	Date <b>9/26/05</b>

# PORT SHELDON TOWNSHIP

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## **PORT SHELDON TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2005. Please read it in conjunction with the financial statements, which immediately follow this section.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

#### **FINANCIAL HIGHLIGHTS**

Assets at March 31, 2005 totaled \$3,393,168 for governmental activities. Of the total, \$2,159,161 represent capital assets, net of depreciation.

Revenues derived from governmental activities were \$1,216,288 (\$132,922 from program revenues, \$1,077,066 from general revenues and \$6,300 from sale of assets). Overall expenses for the Township's governmental activities were \$1,057,031.

The Board of Public Works, a business type activity, had revenues of \$13,394 and expenses of \$10,013 resulting in a change in net assets of \$3,381.

The Township has outstanding debt of \$1,060,000. The Township purchased capital assets in the amount of \$29,484 during the fiscal year. Capital asset and debt activity is addressed further in a subsequent section of this letter.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and business-type activities.

Port Sheldon Township  
Management's Discussion and Analysis

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personal changes.

Most of the activities of the Township are reported as governmental activities. These would include the operations recorded in the General, Special Revenue and Debt Retirement Funds.

Since this is the first year that the Township has implemented Government Accounting Standards Board Statement No. 34, comparative analysis can not be provided until future years.

### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the Township board. Funds are

Port Sheldon Township  
Management' Discussion and Analysis

established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

**Governmental Funds**

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains three individual governmental funds; General Fund, Special Revenue Fund and Debt Retirement Fund, all of which we consider major funds. The Township funds are financed primarily by both property tax revenue and state shared revenues.

**Proprietary Fund**

This fund accounts for the operation of the Township's water supply.

**Fiduciary Funds**

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to whom the funds belong. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. This category includes the Tax Collection Fund, Rental/Deposit Fund and the Special Assessment Fund.

**FUND ANALYSIS OF THE TOWNSHIP AS A WHOLE**

**Net Assets**

The Township's governmental activities net assets increased \$159,257 during the year, to total \$2,309,276 while the business-type activities net assets increased \$3,381 to total \$22,931.

	<u>Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$ 1,234,007	\$ 22,931	\$ 1,256,938
Capital assets	<u>2,159,161</u>	<u>-</u>	<u>2,159,161</u>
Total assets	<u>3,393,168</u>	<u>22,931</u>	<u>3,416,099</u>
Long term debt outstanding	(1,060,000)	-	(1,060,000)
Other liabilities	<u>(23,892)</u>	<u>-</u>	<u>(23,892)</u>
Total liabilities	<u>(1,083,892)</u>	<u>-</u>	<u>(1,083,892)</u>
Net assets:			
Invested in capital assets, net of debt	2,159,161	-	2,159,161
Restricted	84,535	-	84,535
Unrestricted	<u>65,580</u>	<u>22,931</u>	<u>88,511</u>
Total Net Assets	<u>\$ 2,309,276</u>	<u>\$ 22,931</u>	<u>\$ 2,332,207</u>

	<u>Changes in Net Assets</u>		
Program revenues			
Charges for services	\$ 132,922	\$ 13,235	\$ 146,157
General revenues			
Property taxes	641,590	-	641,590
State-shared revenues	299,080	-	299,080
Special assessments	99,265	-	99,265
Unrestricted investment earnings	34,169	159	34,328
Other revenue	<u>9,262</u>	<u>-</u>	<u>9,262</u>
Total revenues	<u>1,216,288</u>	<u>13,394</u>	<u>1,229,682</u>
Program expenses			
Community services	257,589	-	257,589
Public safety	145,795	-	145,795
Public works	-	10,013	10,013
Roads and hydrants	198,256	-	198,256
Support services	308,117	-	308,117
Depreciation	100,124	-	100,124
Interest on long-term debt	<u>47,150</u>	<u>-</u>	<u>47,150</u>
Total expenses	<u>1,057,031</u>	<u>10,013</u>	<u>1,067,044</u>
Change in Net Assets	<u>\$ 159,257</u>	<u>\$ 3,381</u>	<u>\$ 162,638</u>

## **FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

### **Governmental Activities**

The General Fund, Special Revenue Fund and Debt Retirement Fund activities remained consistent, and the Township continued to provide the same services to its residents: administrative, assessing, elections, cemetery, township hall maintenance, road maintenance, parks and recreation, zoning, tax collection, street lighting, police and fire protection.

### **GENERAL FUND BUDGETING HIGHLIGHTS**

The Township Board monitors the budget on a monthly basis and amends the budget taking into account events during the year. The original adopted budget did not require amendment during the year. Actual revenue exceeded budgeted revenue of \$46,296 and actual expenditures were below budget by \$465,119 resulting in an increase of \$511,415 in the General Fund's fund balance.

### **Capital Asset and Debt Administration**

At March 31, 2005, the Township had \$2,835,701 in a broad range of capital assets, including land, buildings, fire, office, park equipment and water department assets. Per an independent appraisal dated December 17, 2004, replacement value of the Township's capital assets was \$2,504,028 exclusive of land value of \$236,443 and vehicles with original costs of \$674,078.

At March 31, 2005, the Township had total debt outstanding of \$1,060,000. The Township reduced its debt by \$40,000 by making the required annual payments. Additional information on the Township's long-term debt can be found on pages 25 through 26.

### **CONTACTING TOWNSHIP MANAGEMENT**

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact the Township Clerk at 616-399-6121 (Port Sheldon Township Hall).



## **INDEPENDENT AUDITORS' REPORT**

### **Port Sheldon Township Ottawa County, Michigan**

We have audited the general purpose financial statements of Port Sheldon Township, Ottawa County, Michigan as of March 31, 2005, as contained in the table of contents on the preceding page. These financial statements are the responsibility of the Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Port Sheldon Township at March 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of March 31, 2005.

The management's discussion and analysis and budgetary comparison information on pages I – V and page 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2005, on our consideration of Port Sheldon Township, Ottawa County, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information contained on Page 30 through Page 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**DE BOER, BAUMANN & COMPANY, P.L.C.**

*De Boer, Baumann & Company, P.L.C.*

Certified Public Accountants  
Holland, Michigan  
June 14, 2005

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

**Port Sheldon Township  
Ottawa County, Michigan**

We have audited the financial statements of the governmental activities and business-type activities of the Port Sheldon Township as of and for the year ended March 31, 2005, which collectively comprise the Port Sheldon Township's basic financial statements and have issued our report thereon dated June 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Port Sheldon Township, Ottawa County, Michigan's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Port Sheldon Township in a separate letter dated June 14, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Port Sheldon Township, Ottawa County, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Port Sheldon Township in a separate letter dated June 14, 2005.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

**DE BOER, BAUMANN & COMPANY, P.L.C.**

*De Boer, Baumann & Company, P.L.C.*

Certified Public Accountants

Holland, Michigan

June 14, 2005

**PORT SHELTON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
STATEMENT OF NET ASSETS  
March 31, 2005**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 306,378	\$ 22,931	\$ 329,309
Certificates of Deposit	910,000	-	910,000
Prepaid Interest	3,922	-	3,922
Taxes Receivable	13,707	-	13,707
<b>TOTAL CURRENT ASSETS</b>	<u>1,234,007</u>	<u>22,931</u>	<u>1,256,938</u>
<b>NONCURRENT ASSETS</b>			
Land	236,443	-	236,443
Buildings	1,458,381	14,818	1,473,199
Furniture and Equipment	332,236	-	332,236
Automotive Equipment	678,090	-	678,090
Technology	22,880	-	22,880
Wells and Pumps	-	11,855	11,855
Distribution System	-	80,998	80,998
<b>Total</b>	<u>2,728,030</u>	<u>107,671</u>	<u>2,835,701</u>
Less: Accumulated Depreciation	<u>(568,869)</u>	<u>(107,671)</u>	<u>(676,540)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>2,159,161</u>	<u>-</u>	<u>2,159,161</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,393,168</u>	<u>\$ 22,931</u>	<u>\$ 3,416,099</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 18,991	\$ -	\$ 18,991
Accrued Expenses	4,901	-	4,901
Current Portion of Bonds Payable	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<u>23,892</u>	<u>-</u>	<u>23,892</u>
<b>LONG-TERM LIABILITIES</b>			
Bonds Payable, net of current portion	<u>1,060,000</u>	<u>-</u>	<u>1,060,000</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	2,159,161	-	2,159,161
Restricted for:			
Debt Service	84,535	-	84,535
Unrestricted	65,580	22,931	88,511
<b>TOTAL NET ASSETS</b>	<u>2,309,276</u>	<u>22,931</u>	<u>2,332,207</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,393,168</u>	<u>\$ 22,931</u>	<u>\$ 3,416,099</u>

See accompanying notes to financial statements.

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2005**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	<b>Net (Expense) Revenue and Changes in Net Assets</b>	
			<b>Primary Government Governmental Activities</b>	<b>Business-Type Activities</b>
<b>Primary Government:</b>				
Governmental Activities:				
Community Services	\$ 257,589	\$ 63,229	\$ (194,360)	\$ -
Road and Hydrants	198,256	69,693	(128,563)	-
Fire and Safety	145,795	-	(145,795)	-
Support Services	308,117	-	(308,117)	-
Interest*	47,150	-	(47,150)	-
Depreciation*	100,124	-	(100,124)	-
Business-type activities:				
Water	10,013	13,235	-	3,222
<b>Total Primary Government</b>	<b>\$ 1,067,044</b>	<b>\$ 146,157</b>	<b>(924,109)</b>	<b>3,222</b>

**General Revenues:**

Taxes		
Property Taxes, levied for general purposes	476,392	-
Property Taxes, levied for fire department	165,198	-
Special Assessments	99,265	-
State of Michigan Revenue Sharing	299,080	-
Miscellaneous General Revenue	2,962	-
Unrestricted Investment Earnings	34,169	159

**Subtotal, General Revenues**

1,077,066	159
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**Excess (deficiency) of Revenues Over  
Expenses Before Special Items**

152,957	3,381
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**Special item:**

Gain on Sale of Assets	6,300	-
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**Total General Revenues  
and Special Item**

1,083,366	159
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**Change in Net Assets**

159,257	3,381
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Net Assets - beginning of year	2,150,019	19,550
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Net Assets - end of year	\$ 2,309,276	\$ 22,931
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\* All interest and depreciation are unallocated.

See accompanying notes to financial statements.

**Total**

\$ (194,360)  
(128,563)  
(145,795)  
(308,117)  
(47,150)  
(100,124)

3,222

(920,887)

476,392

165,198

99,265

299,080

2,962

34,328

1,077,225

156,338

6,300

1,083,525

162,638

2,169,569

\$ 2,332,207

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
BALANCE SHEET - GOVERNMENTAL FUNDS  
Year Ended March 31, 2005**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Retirement</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash	\$ 187,515	\$ 38,250	\$ 80,613	\$ 306,378
Certificates of Deposit	760,000	150,000	-	910,000
Taxes Receivable	10,740	2,967	-	13,707
<b>TOTAL ASSETS</b>	<u>\$ 958,255</u>	<u>\$ 191,217</u>	<u>\$ 80,613</u>	<u>\$ 1,230,085</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 14,429	\$ 4,562	\$ -	\$ 18,991
Accrued Expenses	<u>4,901</u>	<u>-</u>	<u>-</u>	<u>4,901</u>
<b>TOTAL LIABILITIES</b>	<u>19,330</u>	<u>4,562</u>	<u>-</u>	<u>23,892</u>
<b>FUND BALANCES</b>				
Fund Balance				
Unreserved	938,925	186,655	-	1,125,580
Designated for Debt Retirement	<u>-</u>	<u>-</u>	<u>80,613</u>	<u>80,613</u>
<b>TOTAL FUND BALANCES</b>	<u>938,925</u>	<u>186,655</u>	<u>80,613</u>	<u>1,206,193</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 958,255</u>	<u>\$ 191,217</u>	<u>\$ 80,613</u>	<u>\$ 1,230,085</u>

See accompanying notes to financial statements.



**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)  
Year Ended March 31, 2005**

<b>Total Governmental Fund Balances</b>	<b>\$ 1,206,193</b>
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Amounts reported for governmental activities in the statement of net  
assets are different because:

Capital Assets used in governmental activities are not financial  
resources and are not reported in the funds

Cost of Capital Assets	2,728,030	
Accumulated Depreciation	<u>(568,869)</u>	2,159,161

Prepaid interest is not included as an asset in governmental funds	3,922
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Long term liabilities are not due and payable in the current period  
and are not reported in the funds

Bonds Payable	<u>(1,060,000)</u>
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<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 2,309,276</u></u></b>
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**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**Year Ended March 31, 2005**

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Retirement</u>	<u>Totals</u>
<b>REVENUES</b>				
Taxes	\$ 475,904	\$ 165,198	\$ -	\$ 641,102
Special Assessments	950	-	98,315	99,265
Penalties and Excess of Roll	488	-	-	488
Revenues - State Collected - Locally Shared	299,080	-	-	299,080
Licenses and Permits	72,057	-	-	72,057
Charges for Services	20,019	-	-	20,019
Interest Income and Rentals	27,598	1,644	8,357	37,599
Sale of Fixed Assets	-	6,300	-	6,300
Cable Franchise Fees	21,283	-	-	21,283
Sale of Cemetary Lots	15,795	-	-	15,795
Miscellaneous	3,300	-	-	3,300
<b>TOTAL REVENUES</b>	<u>936,474</u>	<u>173,142</u>	<u>106,672</u>	<u>1,216,288</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers from General Fund	-	-	45,000	45,000
<b>Total Revenues and Other Financing Sources</b>	<u>936,474</u>	<u>173,142</u>	<u>151,672</u>	<u>1,261,288</u>
<b>EXPENDITURES</b>				
Salaries	103,464	-	-	103,464
Assessing	33,420	-	-	33,420
General	163,380	-	-	163,380
Townhall	36,034	-	-	36,034
Cemetery	10,792	-	-	10,792
Constable/Fire	2,121	149,807	-	151,928
Zoning	87,890	-	-	87,890
Road & Hydrants	198,256	-	-	198,256
Parks & Recreation	95,388	-	-	95,388
Insurance/Bonds/Miscellaneous	58,476	-	-	58,476
Principal Payments on Bonds	-	-	40,000	40,000
Interest on Bonded Debt	-	-	47,063	47,063
Paying Agent Fees and Other	-	-	213	213
<b>TOTAL EXPENDITURES</b>	<u>789,221</u>	<u>149,807</u>	<u>87,276</u>	<u>1,026,304</u>
<b>OTHER FINANCING USES</b>				
Transfers to Debt Retirement Fund	45,000	-	-	45,000
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>834,221</u>	<u>149,807</u>	<u>87,276</u>	<u>1,071,304</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>102,253</u>	<u>23,335</u>	<u>64,396</u>	<u>189,984</u>
<b>FUND BALANCES - APRIL 1, 2004</b>	<u>836,672</u>	<u>163,320</u>	<u>16,217</u>	<u>1,016,209</u>
<b>FUND BALANCES - MARCH 31, 2005</b>	<u>\$ 938,925</u>	<u>\$ 186,655</u>	<u>\$ 80,613</u>	<u>\$ 1,206,193</u>

See accompanying notes to financial statements.

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2005**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 189,984**

Amounts reported for governmental activities in  
the statement of activities are different because:

Governmental funds report capital outlay as expenditures;  
in the statement of activities, these costs are allocated  
over their estimated useful lives as depreciation.

Depreciation Expense	\$ (100,124)	
Capital Outlay	<u>29,484</u>	(70,640)

Prepaid interest is recorded in the statement of activities when  
incurred; it is not reported in governmental funds until paid. (87)

Repayments of bond principal is an expenditure in the  
governmental funds, but not in the statement of activities. 40,000

**Change in Net Assets of Governmental Activities** **\$ 159,257**

See accompanying notes to financial statements.

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
STATEMENT OF NET ASSETS - PROPRIETARY FUND  
March 31, 2005**

**Board of  
Public Works  
Water Department**

**ASSETS**

Cash	\$ 22,931
Property and Equipment	107,671
Less: Accumulated Depreciation	<u>(107,671)</u>

<b>TOTAL ASSETS</b>	<b>\$ <u>22,931</u></b>
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**NET ASSETS**

Net Assets-Unrestricted	<u>22,931</u>
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<b>TOTAL NET ASSETS</b>	<b>\$ <u>22,931</u></b>
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See accompanying notes to financial statements.

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
STATEMENT OF REVENUES, EXPENSE AND  
CHANGES IN NET ASSETS - PROPRIETARY FUND  
Year Ended March 31, 2005**

**Board of  
Public Works  
Water Department**

**REVENUES**

Operating Revenue	
Sales to Customers	\$ 13,200
Late Fee Penalty	35
<b>Total Operating Revenues</b>	<u>13,235</u>
 Nonoperating Revenue	
Interest Income	<u>159</u>
 <b>TOTAL REVENUES</b>	<u>13,394</u>

**EXPENSE**

Operating Expense	
Salaries and Wages	3,624
Utilities	4,018
Repairs and Maintenance	502
Tools and Supplies	288
Payroll Taxes	320
Miscellaneous	1,261
<b>Total Operating Expense</b>	<u>10,013</u>

<b>CHANGE IN NET ASSETS</b>	3,381
 <b>NET ASSETS - APRIL 1, 2004</b>	<u>19,550</u>
 <b>NET ASSETS - MARCH 31, 2005</b>	<u>\$ 22,931</u>

See accompanying notes to financial statements.

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND TYPE  
Year Ended March 31, 2005**

**Board of  
Public Works  
Water Department**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 13,535
Cash paid for operating services	<u>12,041</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>1,494</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Income	<u>159</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTMENT ACTIVITIES</b>	<u>159</u>

<b>NET INCREASE (DECREASE) IN CASH</b>	1,653
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<b>CASH AT BEGINNING OF YEAR</b>	<u>21,278</u>
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<b>CASH AT END OF YEAR</b>	<u><u>\$ 22,931</u></u>
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**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 3,381
Changes in assets and liabilities:	
Decrease in accounts receivable	300
Decrease in accounts payable	<u>(2,028)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 1,653</u></u>

**CASH PAID DURING THE YEAR**

Income taxes	\$ -
Interest	-

See accompanying notes to financial statements.

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
MARCH 31, 2005**

	<b><u>Agency Funds</u></b>
<b>ASSETS</b>	
Cash	\$   78,656
<b>LIABILITIES</b>	
Deposits and Bonds	\$   16,910
Special Assessments Payable	<u>61,746</u>
<b>TOTAL LIABILITIES</b>	<u>78,656</u>
<b>NET ASSETS</b>	
Held in Trust	<u>-</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$   78,656</u>

See accompanying notes to financial statements.

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Port Sheldon Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The government's significant accounting policies are described below.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (M D & A) section providing an analysis of the Township's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Township's activities.

A change in the fund financial statement to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Township also implemented GASB #33, *Accounting and Financial Reporting for Non-exchange Transactions*. The pronouncement defines revenue recognition for non-exchange transactions at the fund and governmental levels.

**A: REPORTING ENTITY**

Port Sheldon Township is the lowest level of government which has oversight responsibility and control over property tax collection, public safety, public works, and culture and recreation for taxpayers within township boundaries. The township is not included in any other governmental "reporting entity" as defined in NCGA Statement 3 since board members are elected by the public, have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.



**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**B: BASIC FINANCIAL STATEMENTS**

**Government-Wide Statements**

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. The government-wide financial statements exclude fiduciary funds.

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts, invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Township first utilizes restricted resources to finance qualifying activities.

Amounts reported as program revenue include (1) charges to customers of applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than program revenue. Likewise, general revenue includes property taxes and State of Michigan Revenue Sharing.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and interest income).

The Township does not allocate indirect costs. In creating the government-wide Financial Statements the Township has eliminated interfund transactions.

The government-wide financial statements focus on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

**Fund Financial Statements**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**B: BASIC FINANCIAL STATEMENTS (CONTINUED)**

**Governmental Funds:**

**Major Governmental Funds:**

**General Fund** - Accounts for all revenues and expenditures except those required to be accounted for in other funds.

**Debt Retirement Fund** - Accounts for receipt of funds and payment of interest, principal, and other expenses on long-term bonded debt.

**Special Revenue Funds** - Accounts for the Fire Department activities.

**Major Proprietary Fund:**

**Board of Public Works Water Department** - Accounts for the operation of the Township's water supply. Revenues are matched with expenses and net income is determined using accrual accounting methods.

**Fiduciary Fund Types:**

**Agency Funds** - Accounts for Fiduciary assets held by the Township in a custodial capacity as an agent on behalf of others. The Township's agency funds are used to account for tax collections, various deposits, performance bonds, and certain special assessments.

**C: BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**Accrual**

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**C: BASIS OF ACCOUNTING (CONTINUED)**

**Modified Accrual**

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when both measurable and available.

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the Township available means expected to be received within sixty days of the fiscal year-end.

Expenditures are generally recognized when the fund liability is incurred. The exception to this general rule is that principal and interest on general long-term debt is recognized when due.

**D: USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reported period. Actual results could differ from the estimates.

**E: LEGAL AND BUDGETARY REQUIREMENTS**

The Michigan Uniform Budgeting and Accounting Act require the establishment of the General Fund and the Special Revenue Fund, each with an annual budget adopted by the Township Board at the beginning of the fiscal year. The budgets are adopted on the modified accrual basis which is consistent with generally accepted accounting principles.

State law requires operation under a balanced budget and budgetary control to the functional, activity or line item level as defined in the Uniform Budgeting and Accounting Act. The budget figures in the accompanying financial statements have been reported on a functional basis and reflect approved amendments during the year.

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**E: LEGAL AND BUDGETARY REQUIREMENTS (CONTINUED)**

The budget is prepared and controlled by the Township Clerk and is approved by the Township Board. The Township uses the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Beginning in February, the Township Clerk works with the Township Supervisor to establish a proposed operating budget for the fiscal year commencing the following April 1.
- b. Prior to March 31, and after a public hearing the Township Board adopts a preliminary appropriation budget to comply with the Michigan Uniform Budgeting and Accounting Act.
- c. Budgets for the General Fund and Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or as amended by the Township Board.

Once a budget is approved, it can be amended at the Functional and Fund Level only by approval of a majority of the members of the Township Board. Amendments are presented to the Township Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, and are not made after the fiscal year end, as dictated by law. Any amendments are documented in the Township minutes. The final amended budget for the General Fund and Special Revenue Fund was approved March 10, 2005.

**F: CAPITAL ASSETS**

The Township has adopted a capitalization policy that considers individual items with a value greater than \$ 2,000 as capital assets and multiple assets whose cost is less than \$ 2,000 but the aggregate requestor total is \$ 2,000 or more are capitalized.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

General infrastructure assets acquired prior to April 1, 2005 are not reported in the basic financial statements.

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**F: CAPITAL ASSETS (CONTINUED)**

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	25-50 years
Vehicles – Fire Department	20 years
Furniture and other equipment	5-20 years

Other accounting policies are disclosed as appropriate in other notes to the financial statements.

**G: UNEMPLOYMENT TAXES**

The Township has elected the reimbursement method for the payment of Michigan Unemployment Taxes. The amount of reimbursement which the Township may have to pay is indeterminable at the balance sheet date, and accordingly, no provision is included in the financial statements. It is not anticipated that any payment would have a material effect upon the financial statements.

**H: COMPENSATED ABSENCES**

It is the Township's policy not to accrue a liability for compensated absences. The amount of paid absences which ultimately may be paid by the Township is undeterminable at the balance sheet date and accordingly no provision is included in the financial statements. It is not anticipated that any payment would have a material effect upon the financial statements.

**I: CASH EQUIVALENTS**

For purposes of the Statement of Cash Flow, the Company considers all short-term investments with an original maturity of three months or less to be cash equivalents. The carrying amounts approximate fair value.

**J: RELATED ORGANIZATION**

As defined in GASB statement (GASBS) No. 14, *The Financial Reporting Entity*, as amended by GASBS No. 39, *Determining Whether Certain Organizations Are Component Units*, the Port Sheldon Township Economic Development Corporation, a related organization, is excluded from the financial reporting entity because the Township is not financially accountable. The Township cannot impose its will on the organization and a financial benefit/burden relationship does not exist.

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**NOTE 2: CASH & INVESTMENTS**

Public Act 217 of 1982 authorizes the unit of government to deposit in the accounts of federally insured banks, insured credit unions, and savings and loan associations of the United States or commercial paper of certain investment quality. Michigan law prohibits securities in the form of collateral, surety bond or other forms for the deposit of public money.

The Township invests funds periodically in insured savings accounts and certificates of deposit which are insured up to \$ 100,000 per institution by FDIC. The cash included on the balance sheet at March 31, 2005 is comprised of the following:

<u>Governmental Fund Type</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Totals Per Financial Statements</u>	<u>Bank/ Investment Balance</u>
Checking Account - Macatawa Bank	Demand	Variable	\$ 52,571	\$ 49,329
Cash Management Account - Paragon Bank	Demand	Variable	134,944	134,944
Cash Management Account - Huntington Bank	Demand	Variable	24,093	24,093
Checking Account - Macatawa Bank	Demand	Variable	14,157	17,571
Checking Account - Macatawa Bank -	Demand	Variable	80,613	80,613
Certificate of Deposit - Macatawa Bank	09/27/05	3.35%	100,000	100,000
Certificate of Deposit Macatawa Bank	09/26/05	3.35%	200,000	200,000
Certificate of Deposit Paragon Bank	05/30/05	3.15%	260,000	260,000
Certificate of Deposit Paragon Bank	06/29/05	2.50%	50,000	50,000
Certificate of Deposit Paragon Bank	05/30/05	2.70%	300,000	300,000
<b>Totals</b>			<u>\$1,216,378</u>	<u>\$1,216,550</u>

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**NOTE 2: CASH & INVESTMENTS (CONTINUED)**

<u>Proprietary Fund Type</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Totals Per Financial Statements</u>	<u>Bank/ Investment Balance</u>
Checking Account - Macatawa Bank	Demand	Variable	\$ 22,931	\$ 22,974
<u>Fiduciary Fund Type</u>				
Checking Account - Macatawa Bank	Demand	Variable	\$ 16,910	\$ 19,053
Checking Account - Macatawa Bank	Demand	Variable	61,746	61,746
<b>Totals</b>			<u>\$ 78,656</u>	<u>\$ 80,799</u>

**NOTE 3: CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject Port Sheldon Township to concentrations of credit risk consist principally of temporary cash investments. Temporary cash investments with financial institutions may at times exceed the amount insured by the Federal Deposit Insurance Corporation.

Port Sheldon Township maintains its cash balances and investments in three financial institutions located in Holland, Michigan. The balances are insured by the Federal Deposit Insurance Corporation as explained in Note 2. At March 31, 2005, Port Sheldon Township's uninsured cash balance totaled \$ 1,112,665. This amount represents the actual cash balance per the bank statements at March 31, 2005 and does not include deposits in transit or outstanding checks.

**NOTE 4: PROPERTY, PLANT AND EQUIPMENT - PROPRIETARY FUND - BOARD OF PUBLIC WORKS WATER DEPARTMENT**

Balances and estimated useful lives of the assets are as follows at March 31, 2005:

<u>Asset</u>	<u>Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Building	10-25 Years	\$ 14,818	\$ 14,818	\$ -
Wells and Pumps	25 Years	11,855	11,855	-
Distribution System	25 Years	80,998	80,998	-
<b>Totals</b>		<u>\$ 107,671</u>	<u>\$ 107,671</u>	<u>\$ -</u>

**PORT SHELTON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**NOTE 5: CAPITAL ASSETS**

A summary of changes in Governmental capital assets follows:

	<u>Balance April 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2005</u>
Assets Not Being				
Depreciated - Land	\$ 236,443	\$ -	\$ -	\$ 236,443
Other Capital Assets:				
Buildings and				
Improvements	1,458,381	-	-	1,458,381
Furniture and				
Equipment	319,144	13,092	-	332,236
Automotive				
Equipment	674,078	4,012	-	678,090
Technology	10,500	12,380	-	22,880
Subtotals	<u>2,462,103</u>	<u>29,484</u>	<u>-</u>	<u>2,491,587</u>
Accumulated Depreciation:				
Buildings and				
Improvements	238,748	41,875	-	280,623
Furniture and				
Equipment	98,347	20,581	-	118,928
Automotive Equipment	132,026	34,330	-	166,356
Technology	<u>-</u>	<u>3,338</u>	<u>376</u>	<u>2,962</u>
Subtotals	<u>469,121</u>	<u>100,124</u>	<u>376</u>	<u>568,869</u>
Net Other Capital Assets	<u>1,992,982</u>	<u>(70,640)</u>	<u>376</u>	<u>1,922,718</u>
<b>Net Capital Assets</b>	<u><b>\$ 2,229,425</b></u>	<u><b>\$ (70,640)</b></u>	<u><b>\$ 376</b></u>	<u><b>\$ 2,159,161</b></u>

Depreciation for fiscal year ended March 31, 2005 amounted to \$ 100,124. The Township determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

The Township disposed of one fire truck pumper during the fiscal year. The original cost was not determined, therefore not shown as a deleted item.



**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**NOTE 6: PROPERTY TAXES**

Taxes are levied on December 31 and payable in two installments on February 14 and September 14. The Township bills and collects its own property taxes and also the Michigan State Education tax, taxes for Ottawa County, Ottawa Area Intermediate School District, Grand Haven Public Schools, West Ottawa Public Schools, and Loutit District Library. Collections of the taxes and remittance of them are accounted for in the Current Tax Collection Agency Fund. Property tax revenue is recognized when levied to the extent that they result in current receivables.

**NOTE 7: RETIREMENT PLAN**

The Township has a defined contribution money purchase pension plan covering elected officials, the zoning administrator, and the township secretary. Effective date of the plan was January 1, 1984. Eligibility requirements are 18 years of age with zero years of service. Normal retirement age is 65 and early retirement at age 55. Benefits depend upon amount accumulated in the plan at termination date. Vesting is 100% at the time of contribution. The township is obligated to contribute 15% of the eligible employees' wages to the plan each year.

The plan is the Port Sheldon Township Pension Plan. Current calendar year covered payroll is \$ 144,191 for year ended December 31, 2004. Employee contributions are \$ 0. The total contribution for the year ended March 31, 2005 was \$ 21,067.

**NOTE 8: ECONOMIC DEPENDENCY**

During the years ended March 31, 2005 and 2004 the Township received approximately 64% and 66%, respectively, of its general property taxes from one taxpayer.

**NOTE 9: RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Township carries commercial insurance for the above mentioned types of risks of loss including general, property damage, employee health and accident insurance, and workers' compensation. Settled claims have not exceeded the commercial coverage in any of the past three years.

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**NOTE 10: GENERAL LONG-TERM DEBT**

**General long-term debt consists of the following:**

Bonds Payable	\$ <u>1,060,000</u>
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Bonds Payable at March 31, 2005, are comprised of the following individual issues:

<p>\$ 1,150,000 – 2002 Ottawa County Sewage Disposal Bonds consisting of bonds due in installments of \$ 40,000 to \$ 90,000 in the years 2006 through 2022 with interest of 3.00% to 5.00%.</p>	<p>\$ <u>1,060,000</u></p>
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**Maturities on Bonds Payable are as follows:**

2006	\$	-
2007		40,000
2008		40,000
2009		45,000
2009-2013		200,000
2014-2018		315,000
2019-2023		420,000

The principal and interest due May 1, 2005, was prepaid prior to fiscal year end, March 31, 2005; therefore, no current bond payable is shown and prepaid interest of \$ 3,922 is recorded.

Interest expense on bonded debt for the year ended March 31, 2005 was \$ 47,063.

The following is a summary of changes in long-term debt for the year ended March 31, 2005:

**2002 Sewage Bonds**

Balance – April 1, 2004	\$	1,100,000
Bonds Issued		-
Bond Payments		<u>40,000</u>
Balance – March 31, 2005	\$	<u>1,060,000</u>

The bonds have been issued in the name of Ottawa County; however, the payments are the responsibility of both Port Sheldon Township and a local developer based on contractual agreement. Payments made to Ottawa County for the year ended March 31, 2005, were \$ 87,275; Township payments, \$ 38,511, developer payments, \$ 48,764.

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**NOTE 11: SPECIAL ASSESSMENT DEPOSITS**

The Township acts as a collection agent for payments from Ottawa Corners, LLC to Ottawa County for the treatment plant project. In addition, the Township collects trunkage fees as lots are sold and holds these amounts for payments due to the county in the future. These special assessments are remitted to the County as directed by the LLC.

**NOTE 12: OTHER FINANCING SERVICES**

This account consists of the following:

**DEBT RETIREMENT FUND**

Transfer from General Fund	\$ <u>45,000</u>
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**NOTE 13: OTHER FINANCING USES**

This account consists of the following:

**GENERAL FUND**

Transfer to Debt Retirement Fund	\$ <u>45,000</u>
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## **REQUIRED SUPPLEMENTAL INFORMATION**

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended March 31, 2005**

	General Fund			Variance - Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Property Taxes	\$ 438,104	\$ 438,104	\$ 475,904	\$ 37,800
Other Income	<u>452,074</u>	<u>452,074</u>	<u>460,570</u>	<u>8,496</u>
<b>TOTAL REVENUES</b>	<u>890,178</u>	<u>890,178</u>	<u>936,474</u>	<u>46,296</u>
<b>EXPENDITURES</b>				
Salaries	108,015	108,015	103,464	4,551
Assessing	34,550	34,550	33,420	1,130
General	188,936	188,936	163,380	25,556
Townhall	47,780	47,780	36,034	11,746
Cemetery	12,077	12,077	10,792	1,285
Constable	1,899	2,199	2,121	78
Zoning	115,056	115,056	87,890	27,166
Road & Hydrants	484,566	484,566	198,256	286,310
Parks & Recreation	107,961	107,961	95,388	12,573
Insurance/Bonds/Miscellaneous	83,500	83,500	58,476	25,024
Contingency	<u>70,000</u>	<u>69,700</u>	<u>-</u>	<u>69,700</u>
<b>TOTAL EXPENDITURES</b>	<u>1,254,340</u>	<u>1,254,340</u>	<u>789,221</u>	<u>465,119</u>
<b>OTHER FINANCING USES</b>				
Transfers to Debt Retirement Fund	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>1,299,340</u>	<u>1,299,340</u>	<u>834,221</u>	<u>465,119</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(409,162)	(409,162)	102,253	511,415
<b>FUND BALANCE - APRIL 1, 2004</b>	<u>836,672</u>	<u>836,672</u>	<u>836,672</u>	<u>-</u>
<b>FUND BALANCE - MARCH 31, 2005</b>	<u>\$ 427,510</u>	<u>\$ 427,510</u>	<u>\$ 938,925</u>	<u>\$ 511,415</u>

See accompanying notes to financial statements.

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
Special Revenue Fund  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended March 31, 2005**

	Special Revenue Fund			Variance - Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Property Taxes	\$ 156,036	\$ 156,036	\$ 165,135	\$ 9,099
Delinquent Personal Tax	-	-	63	63
Other Income	4,000	4,000	7,944	3,944
<b>TOTAL REVENUES</b>	<u>160,036</u>	<u>160,036</u>	<u>173,142</u>	<u>13,106</u>
<b>EXPENDITURES</b>				
Salaries	75,000	80,800	80,496	304
Custodian	3,678	3,678	3,678	-
Training	5,000	5,000	2,476	2,524
FICA	6,020	6,290	6,517	(227)
Physicals	1,000	1,000	566	434
Fire Supplies	4,000	5,200	5,266	(66)
Medical Supplies	1,500	1,500	1,254	246
Custodian Supplies	850	730	179	551
Office Supplies	500	500	436	64
Uniforms	500	1,600	1,579	21
Conference/Dues	200	300	275	25
Hazmat Dues	1,000	800	768	32
Audit	1,500	1,500	1,500	-
Telephone	2,500	2,500	2,375	125
Vehicle Maintenance & Repair	8,000	8,000	10,550	(2,550)
Fuel	1,600	1,800	1,705	95
Insurance	6,500	6,500	6,261	239
Utilities	8,500	8,500	7,028	1,472
Building Maintenance	3,000	2,300	1,625	675
Snowplowing/Lawncare	4,800	4,920	3,925	995
Equipment Maintenance	3,200	2,100	632	1,468
Petty Cash	500	1,200	355	845
Fire Prevention	1,500	1,500	1,456	44
Software	-	100	100	-
Capital Outlay	5,337	5,337	-	5,337
Contingency	16,000	7,430	-	7,430
Equipment Purchase	7,800	8,900	8,805	95
<b>TOTAL EXPENDITURES</b>	<u>169,985</u>	<u>169,985</u>	<u>149,807</u>	<u>20,178</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(9,949)	(9,949)	23,335	33,284
<b>FUND BALANCE - APRIL 1, 2004</b>	<u>163,320</u>	<u>163,320</u>	<u>163,320</u>	<u>-</u>
<b>FUND BALANCE - MARCH 31, 2005</b>	<u>\$ 153,371</u>	<u>\$ 153,371</u>	<u>\$ 186,655</u>	<u>\$ 33,284</u>

See accompanying notes to financial statements.

## **OTHER SUPPLEMENTAL INFORMATION**

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
STATEMENT OF REVENUES - GENERAL FUND  
Year Ended March 31, 2005**

Property Taxes	\$ 475,904
Special Assessment	950
Penalties and Interest	488
Revenue - State Collected - Locally Shared	299,080
Licenses and Permits	
Private Road, Building, Plumbing,	
Electrical, Mechanical, Soil/Water,	
Sand Removal and Sand Dune Permits	69,693
Liquor Licenses	2,364
Charges for Services	
Appeals Board Hearings	4,010
Site Plan Review	3,100
Special Use Hearings	2,900
Zoning Change Hearings	500
School Tax Collection Fees	9,509
Interest on Investments	24,168
Townhall Rentals	3,430
Cable Franchise Fees	21,283
Ordinance Books	338
Sale of Cemetary Lots	15,795
Miscellaneous	<u>2,962</u>
<b>TOTAL REVENUES</b>	<b><u>\$ 936,474</u></b>



**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
STATEMENT OF EXPENDITURES - GENERAL FUND  
Year Ended March 31, 2005**

**SALARIES**

Supervisor	\$	41,630	
Clerk		26,045	
Treasurer		27,404	
Elections		3,350	
Township Board		4,036	
Board of Review		<u>999</u>	\$ 103,464

**ASSESSING**

Salaries and Wages	23,400	
Consumers Contract	10,000	
Supplies	-	
Dues, Subscriptions and Seminars	<u>20</u>	33,420

**GENERAL**

Office Staff	14,427	
Professional Services	13,250	
Contract Services	520	
Mileage and Expenses	4,950	
Refuse Removal	61,450	
Printing and Publishing	12,756	
Office Supplies and Expense	24,265	
Repairs and Maintenance	1,754	
Dues, Subscriptions and Seminars	14,569	
Payroll Taxes	8,773	
Capital Outlay	5,590	
Miscellaneous	<u>1,076</u>	163,380

**TOWNHALL**

Custodian	9,455	
Contracted Services	600	
Telephone	5,555	
Supplies	1,152	
Repairs and Maintenance	3,083	
Capital Outlay	5,736	
Utilities	7,563	
Payroll Taxes	723	
Snowplowing	<u>2,167</u>	36,034

**CEMETERY**

Capital Outlay	6,055	
Repairs and Maintenance	604	
Lawn care	3,675	
Utilities	264	
Wages	<u>194</u>	10,792

**PORT SHELDON TOWNSHIP**  
**OTTAWA COUNTY, MICHIGAN**  
**STATEMENT OF EXPENDITURES - GENERAL FUND (CONTINUED)**  
**Year Ended March 31, 2005**

**CONSTABLE**

Salaries and Wages	\$ 1,966
Mileage and Expenses	5
Payroll Taxes	<u>150</u>

\$ 2,121

**ZONING**

Salaries and Wages	61,955
Dues and Memberships	681
Extra Inspections	150
Attorney Fees	7,343
Consultants	11,222
Mileage and Expenses	3,392
Supplies	98
Payroll Taxes	<u>3,049</u>

87,890

**ROADS & HYDRANTS**

Road Maintenance	2,635
Bike Path Maintenance	11,996
Street Lighting	11,841
Road Construction	<u>171,784</u>

198,256

**PARKS & RECREATION**

Salaries and Wages	34,816
Utilities	345
Repairs and Maintenance	13,303
Supplies	1,433
Summerfest	2,911
Contributions	4,610
Payroll Taxes	759
Miscellaneous	818
Capital Outlay	<u>36,393</u>

95,388

**INSURANCE/BONDS/MISC**

Insurance & Bonds	37,409
Pension Plan	<u>21,067</u>

58,476

**CONTINGENCY**

-

**TOTAL EXPENDITURES**

789,221

**OTHER FINANCING USES**

Transfer to Debt Retirement Fund

45,000

**TOTAL EXPENDITURES AND  
OTHER FINANCING USES**

\$ 834,221

**PORT SHELTON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
TRUST AND AGENCY FUND - CURRENT TAX COLLECTION FUND  
RECONCILIATION OF CURRENT TAX LEVY  
Year Ended March 31, 2005**

<b>TAX LEVY</b>	\$ 15,841,075
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<b>RETURNED DELINQUENT TO COUNTY TREASURER</b>	<u>237,857</u>
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<b>TAXES COLLECTED</b>	15,603,218
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**OTHER RECEIPTS**

Dog Licenses	\$	2,403	
Interest and Penalties		1,684	
Delinquent Taxes		12,122	
Mobile Home Park Fees		9,114	
Special Assessment - Ottawa Corners, LLC		38,511	
Special Assessment - Debt Retirement Fund		13,572	
Overpayments		<u>7,883</u>	85,289
<b>Total Receipts</b>			<u>15,688,507</u>

**DISBURSEMENTS**

**School Taxes Paid To:**

<b>Grand Haven Public Schools</b>			
Current	\$ 6,319,709		
Interest and Penalties	500		
Delinquent Taxes	<u>23</u>	6,320,232	

<b>West Ottawa Public Schools</b>			
Current	1,559,628		
Interest and Penalties	3,513		
Delinquent Taxes	<u>2,893</u>	1,566,034	

**County Taxes Paid To:**

<b>Ottawa County Treasurer</b>			
Current	1,986,650		
Interest and Penalties	61		
Delinquent Taxes	706		
Dog Licenses	2,403		
Sewer Assessment-Ottawa Corners, LLC	38,511		
Mobile Home Park Fees	<u>7,978</u>	2,036,309	

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
TRUST AND AGENCY FUND - CURRENT TAX COLLECTION FUND  
RECONCILIATION OF CURRENT TAX LEVY (CONTINUED)  
Year Ended March 31, 2005**

Intermediate School District			
Current	\$ 1,974,826		
Interest and Penalties	1,803		
Delinquent Taxes	<u>590</u>	\$ 1,977,219	
State Education Fund			
Current	2,808,351		
Interest and Penalties	2,543		
Delinquent Taxes	<u>580</u>	2,811,474	
<b>Township Taxes Transferred To:</b>			
General Fund			
Current	466,425		
Interest and Penalties	156		
Delinquent Taxes	172		
Mobile Home Park Fees	<u>1,136</u>	467,889	
Debt Retirement Fund			
Ottawa County Debt Retirement		13,572	
Fire Special Revenue Fund			
Current	162,167		
Interest and Penalties	10		
Delinquent Taxes	<u>53</u>	162,230	
<b>Loutit Library Fund</b>			
Current	325,462		
Interest and Penalties	155		
Delinquent Taxes	<u>1</u>	325,618	
<b>Refunds</b>		<u>7,930</u>	\$ <u>15,688,507</u>
<b>BALANCE - MARCH 31, 2005</b>			\$ <u>-</u>

**PORT SHELDON TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
Schedule of Bonded Indebtedness  
2002 Sewage Disposal Bonds  
Year Ended March 31, 2005**

**Bond Principal**

<b><u>Due Date</u></b>	<b><u>Interest Rate</u></b>	<b><u>Issued</u></b>	<b><u>Redeemed</u></b>	<b><u>Interest Due</u></b>	<b><u>Totals</u></b>
5/1/2003	3.00%	\$ 15,000	\$ 15,000	\$ 44,516	\$ 57,516
5/1/2004	3.00%	35,000	35,000	48,112	83,112
5/1/2005	3.00%	40,000	40,000	47,063	87,063
5/1/2006	3.00%	40,000	-	45,862	85,862
5/1/2007	3.20%	40,000	-	44,663	84,663
5/1/2008	3.50%	45,000	-	43,382	88,382
5/1/2009	3.65%	45,000	-	41,808	86,808
5/1/2010	3.85%	50,000	-	40,165	90,165
5/1/2011	3.95%	50,000	-	38,240	88,240
5/1/2012	4.05%	55,000	-	36,265	91,265
5/1/2013	4.10%	55,000	-	34,038	89,038
5/1/2014	4.25%	60,000	-	31,782	91,782
5/1/2015	4.35%	65,000	-	29,232	94,232
5/1/2016	4.45%	65,000	-	26,405	91,405
5/1/2017	4.55%	70,000	-	23,513	93,513
5/1/2018	4.65%	75,000	-	20,327	95,327
5/1/2019	4.70%	80,000	-	16,840	96,840
5/1/2020	4.80%	85,000	-	13,080	98,050
5/1/2021	5.00%	90,000	-	9,000	99,000
5/1/2022	5.00%	<u>90,000</u>	<u>-</u>	<u>4,500</u>	<u>94,500</u>
		<u>\$ 1,150,000</u>	<u>\$ 90,000</u>	<u>\$ 638,793</u>	<u>\$ 1,788,793</u>

**Purpose:**

To defray part of the cost of acquiring and constructing sewage disposal system improvements to serve the Township of Port Sheldon.

**Types and Dollar Amount of Bonds:**

Current Interest Term Bonds \$ 1,150,000

The Bonds maturing on or after May 1, 2013 are subject to optional redemption beginning May 1, 2012. The bonds have been issued in the name of Ottawa County; however, the payments are the responsibility of both Port Sheldon Township and a local developer based on contractual agreement. The following schedule details the payment responsibility for each party:

**PORT SHELDON TOWNSHIP**  
**Ottawa County Payment Schedule**  
**Year Ended March 31, 2005**

<u>Year</u>	<u>Developer Portion</u>	<u>Port Sheldon Twp Portion</u>	<u>Total Due</u>
2003	\$ 62,833	\$ 20,739	\$ 83,572
2004	42,875	39,712	82,587
2005	41,500	44,962	86,462
2006	40,125	45,137	85,262
2007	38,750	45,273	84,023
2008	37,375	50,220	87,595
2009	36,000	49,986	85,986
2010	34,625	54,578	89,203
2011	33,250	54,002	87,252
2012	31,875	58,276	90,151
2013	30,500	57,410	87,910
2014	29,125	61,383	90,508
2015	27,750	65,069	92,819
2016	26,375	63,584	89,959
2017	-	91,920	91,920
2018	-	93,584	93,584
2019	-	94,960	94,960
2020	-	96,040	96,040
2021	-	96,750	96,750
2022	-	92,250	92,250
	<u>\$ 512,958</u>	<u>\$ 1,275,835</u>	<u>\$ 1,788,793</u>

The developer portion is collected by Port Sheldon Township through special assessment and remitted to Ottawa County. The Township intends to pay their portion by frontage and trunkage revenue collected as taxpayers connect to the system. The remaining Township payments will be made with General Fund monies.

# DeBoer, Baumann & Company <sup>PLC.</sup>

Certified Public Accountants & Consultants

Neil E. De Boer, CPA  
William J. Bassow, CPA  
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Gordon J. Callam, CPA  
George M. Gardner, CPA  
Mark A. Veenstra, CPA  
Jim Michner, CPA

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American Institute of  
Certified Public Accountants

Michigan Association of  
Certified Public Accountants

June 14, 2005

Port Sheldon Township  
Ottawa County, Michigan

We have audited the financial statements of Port Sheldon Township for the year ended March 31, 2005, and have issued our reports thereon dated June 14, 2005.

In planning and performing our audit of the financial statements of Port Sheldon Township, we considered its internal control structure as required by Statement on Auditing Standards No. 78 "Consideration of the Internal Control Structure in a Financial Statement Audit: An Amendment to SAS No. 55" and Governmental Auditing Standards, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. We did not become aware of any conditions that we believed to be material weaknesses.

The books and records were found to be balanced, organized and readily available for inspection. In connection with our audit of the financial statements of Port Sheldon Township we wish to make the following comments and recommendations:

## **BUDGET**

The Uniform Budgeting and Accounting Act stipulates that expenditures may not exceed the amount budgeted. For the year ended March 31, 2005 there were expenditures in excess of budgeted amounts in the Special Revenue Fund for FICA and Vehicle Maintenance and Repair. The variances were due to end of year accounts payable adjustments and reclassifications. We commend the board for its close attention to the budget and encourage the continued periodic budget review and amendment in order to comply with the Uniform Budgeting and Accounting Act.

## **BANK RECONCILIATIONS**

During our audit, it was noted that the bank accounts were not being reconciled to the general ledger when we began the audit. The bank accounts did reconcile to the manual cash control sheets used by the Treasurer to monitor cash. The general ledger should reflect the same information that is recorded on these sheets. We recommend that the bank accounts be reconciled to the General Ledger as well as the cash control sheets.

## **TAX COLLECTION FUND**

During our audit of the Tax Collection Fund, we found it difficult to test the individual tax collection receipts to the respective bank deposit receipt. To improve internal controls, we recommend that the tax collection receipts be attached in an orderly manner to the respective bank deposit receipt.

We also had to make account entry reclassifications in the Tax Collection Fund for tax collection overpayments receipts and subsequent refunds to taxpayers, and to separate special assessment receipts and disbursements. We recommend that the Tax Collection Fund set up separate general ledger accounts for the tax collection overpayment receipts and subsequent refunds to taxpayers and separate accounts for special assessment receipts and disbursements.

## **DATA ENTRY**

During our audit of the township funds, we found several data entry errors. We also noted that certain transactions involving certificates of deposit maturing and reinvestment of the same amount were not being recorded. We recommend that more care be given to accuracy of data entry and consideration be given to computer printed checks. Also, all accounting transactions should be recorded in the financial records in a timely and accurate manner.

## **PRE-TAX PAYROLL BENEFIT**

We recommend that the Township consider offering its employees the opportunity to enroll in a Section 125 Flex benefit plan. The benefit of this plan allows employees to set aside tax free dollars from payroll to pay for certain unreimbursed medically related expenses, day care expenses, and medical insurance premiums. The Township also benefits by not having to contribute the 7.65% social security tax on these dollars.

## **ACCOUNTING SYSTEMS PERSONNEL BACKUP**

Currently only one employee is familiar with the accounting software programs operations. This situation could cause disruption of the financial accounting and reporting functions should this employee be unable to perform her duties or be on vacation. We recommend that the Township consider the training of a second individual to be a backup to the current employee primarily responsible for this function.

During the course of the audit, we offered suggestions and recommendations regarding the day-to-day operations of the system to the Supervisor and the accounting personnel as topics arose.

We appreciate the opportunity to provide auditing and advisory services to Port Sheldon Township. We also appreciate the dedication and cooperation of the Township's administration and accounting personnel in performing their functions and assisting us in completing ours. If there are any questions regarding the audit report, or the attached communications, we will be happy to address them.

Respectfully submitted,

*De Boer, Baumann & Company, P.L.C.*

De Boer, Baumann & Company, P.L.C.  
Certified Public Accountants